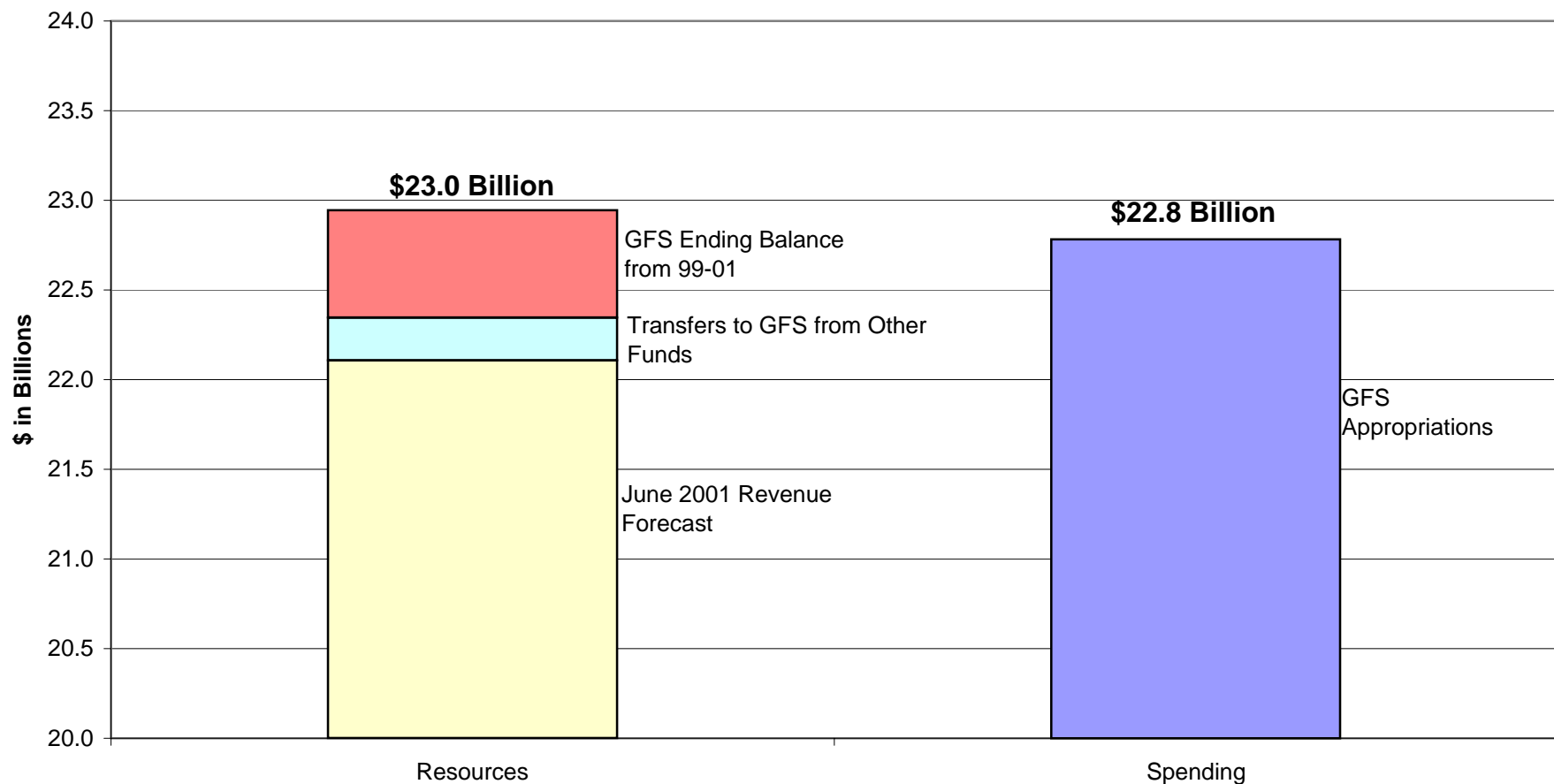


2001-03 OPERATING BUDGET REVIEW

2003-05 OPERATING BUDGET OUTLOOK

The Original 2001-2003 Budget Adopted in June 2001 Used a Variety of Resources to Balance the Budget



Note: For illustrative purposes, the graph scale starts at \$20 Billion

2001-03 Biennial Budget

as passed June 2001

(\$\$ in millions)

Resources

Beginning Fund Balance	\$	599.7
Transfers	\$	220.0
June 2001 Forecast & Revenue Legislation	\$	22,125.3

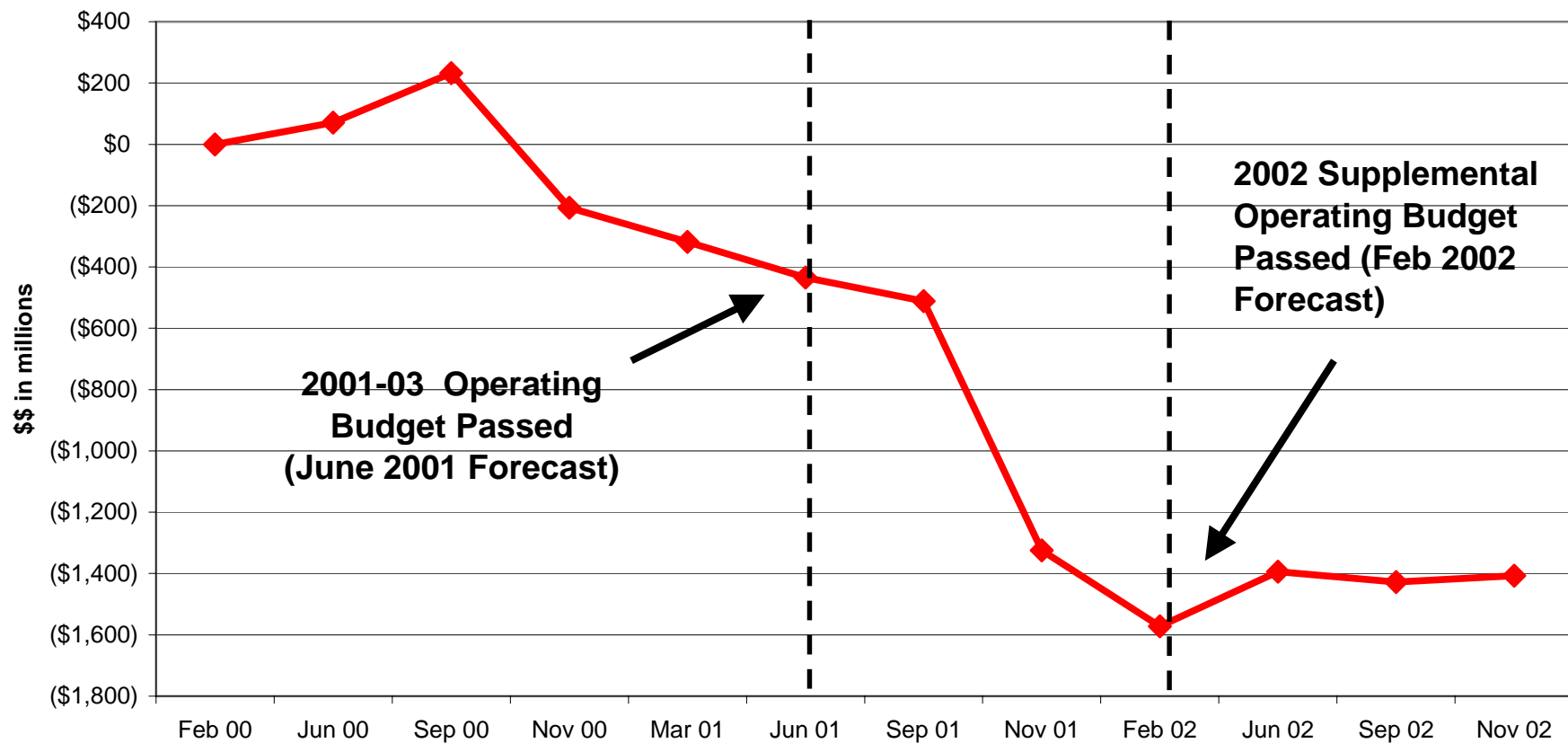
Available Resources	\$	22,945.0
----------------------------	-----------	-----------------

2001-03 Appropriations	\$	22,783.2
-------------------------------	-----------	-----------------

General Fund - State Ending Balance	\$	161.8
Emergency Reserve Fund	\$	446.2

Total Reserves	\$	608.0
-----------------------	-----------	--------------

Between June 2001 and February 2002, the Revenue Forecast Dropped \$1.2 Billion



Caseloads, Enrollments, and New Expenditures Add \$352 Million

(\$\$ in millions)

Maintenance Level

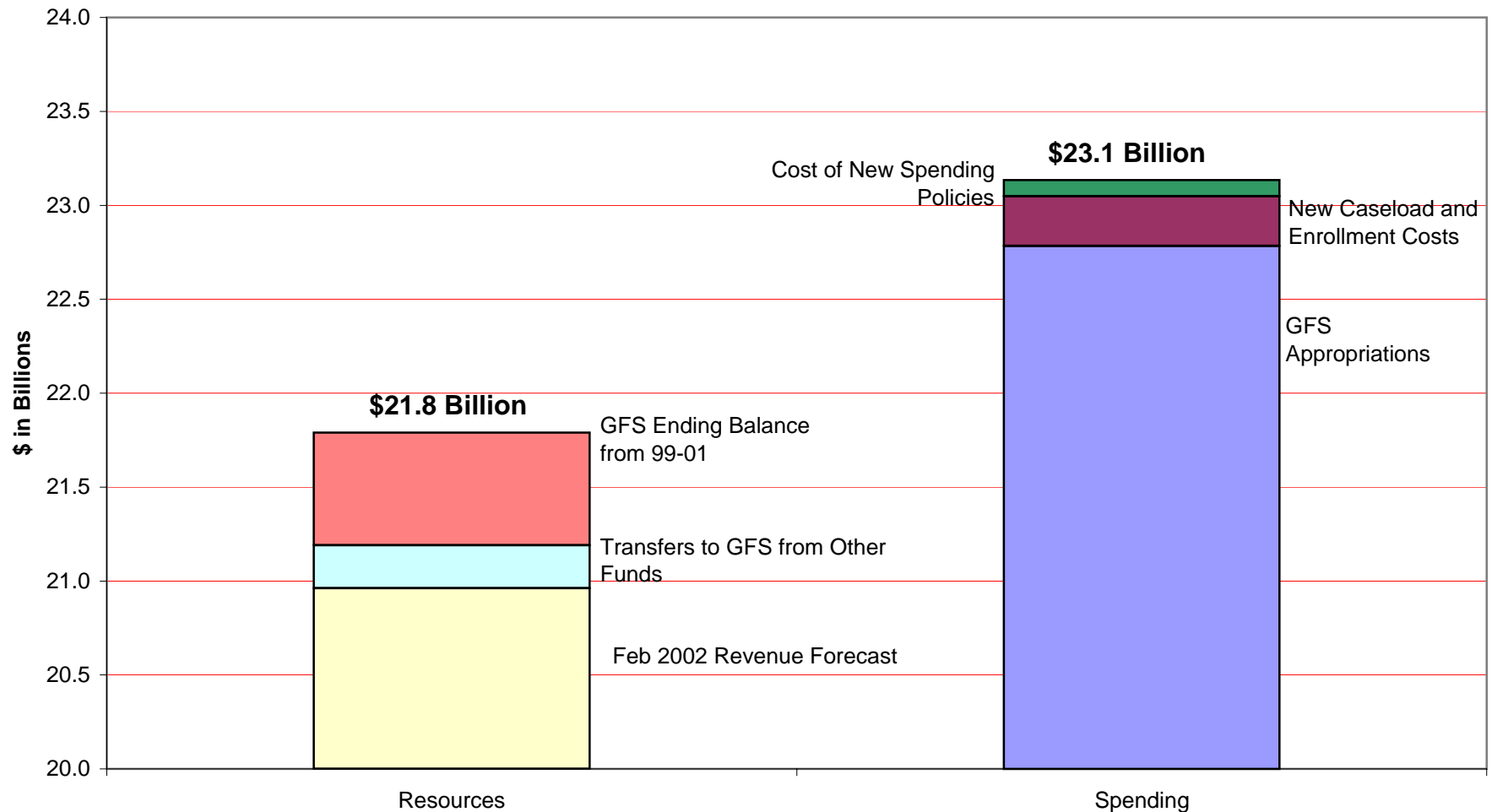
Department of Corrections	\$ 41
DSHS - Medical Assistance	91
K-12 Education	126
All Other Programs	7
Subtotal	\$ 265

Policy Level

Settlement of Lawsuits	\$ 28
Assistance for Counties & Cities	13
Employee Health Benefits	6
Department of Revenue Staff	6
Worker Retraining	4
All Other Policy Items	30
Subtotal	\$ 87

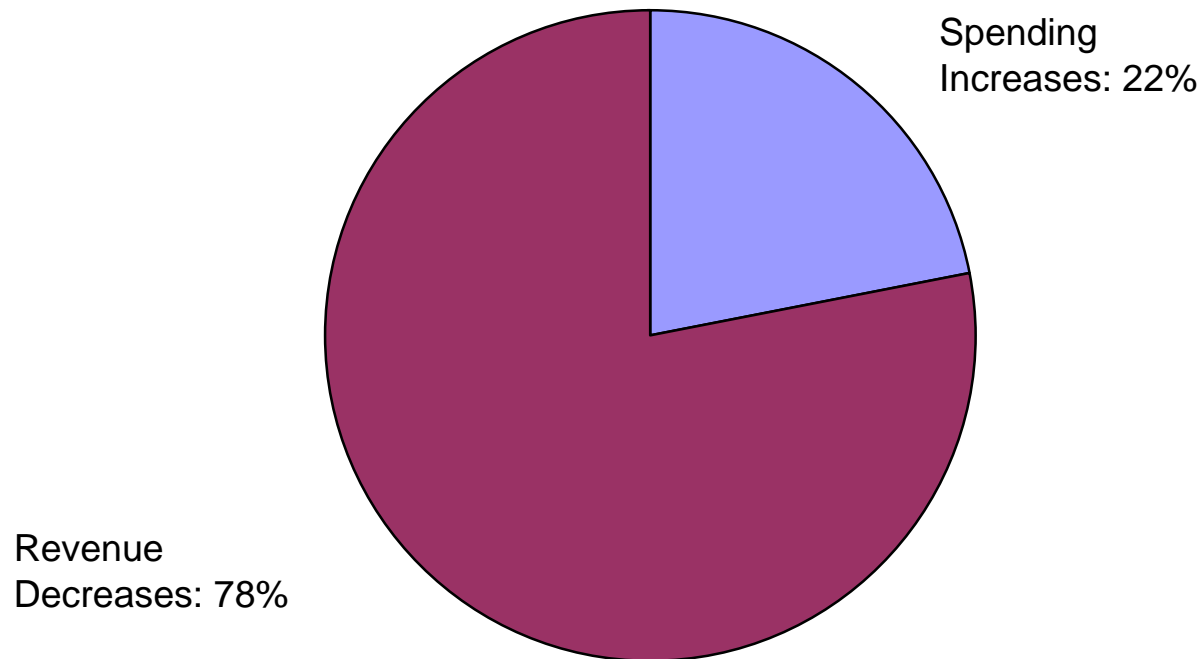
Grand Total of Increases **\$ 352**

Declining Revenues and New Expenditures Created a \$1.6 Billion Gap (including an increase in reserves)



Note: For illustrative purposes, the graph scale starts at \$20 Billion.

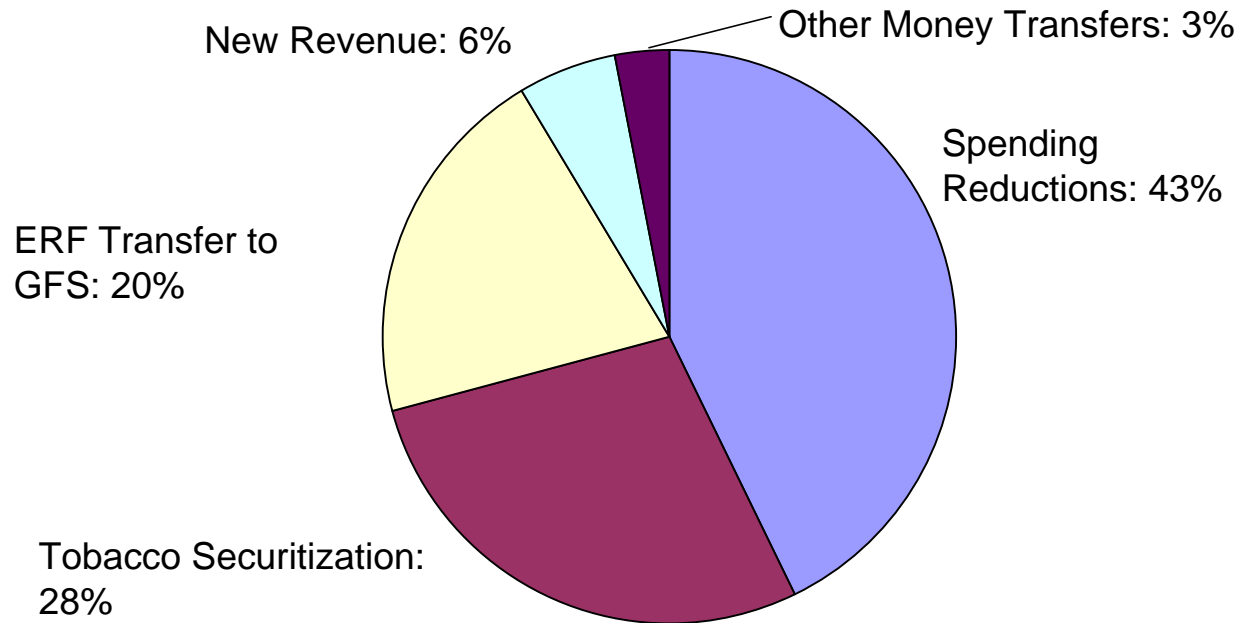
The 2002 Supplemental Shortfall



The Shortfall (in Millions)

Spending Increases	352
Revenue Decreases	<u>1,246</u>
	1,598

The 2002 Supplemental Solution



The Solution (in Millions)

Spending Reductions	684
Tobacco Securitization	450
ERF Transfer to GFS	325
New Revenues	88
Other Money Transfers to GFS	51
	<hr/>
	1,598

Spending Reductions Totalled \$685 Million

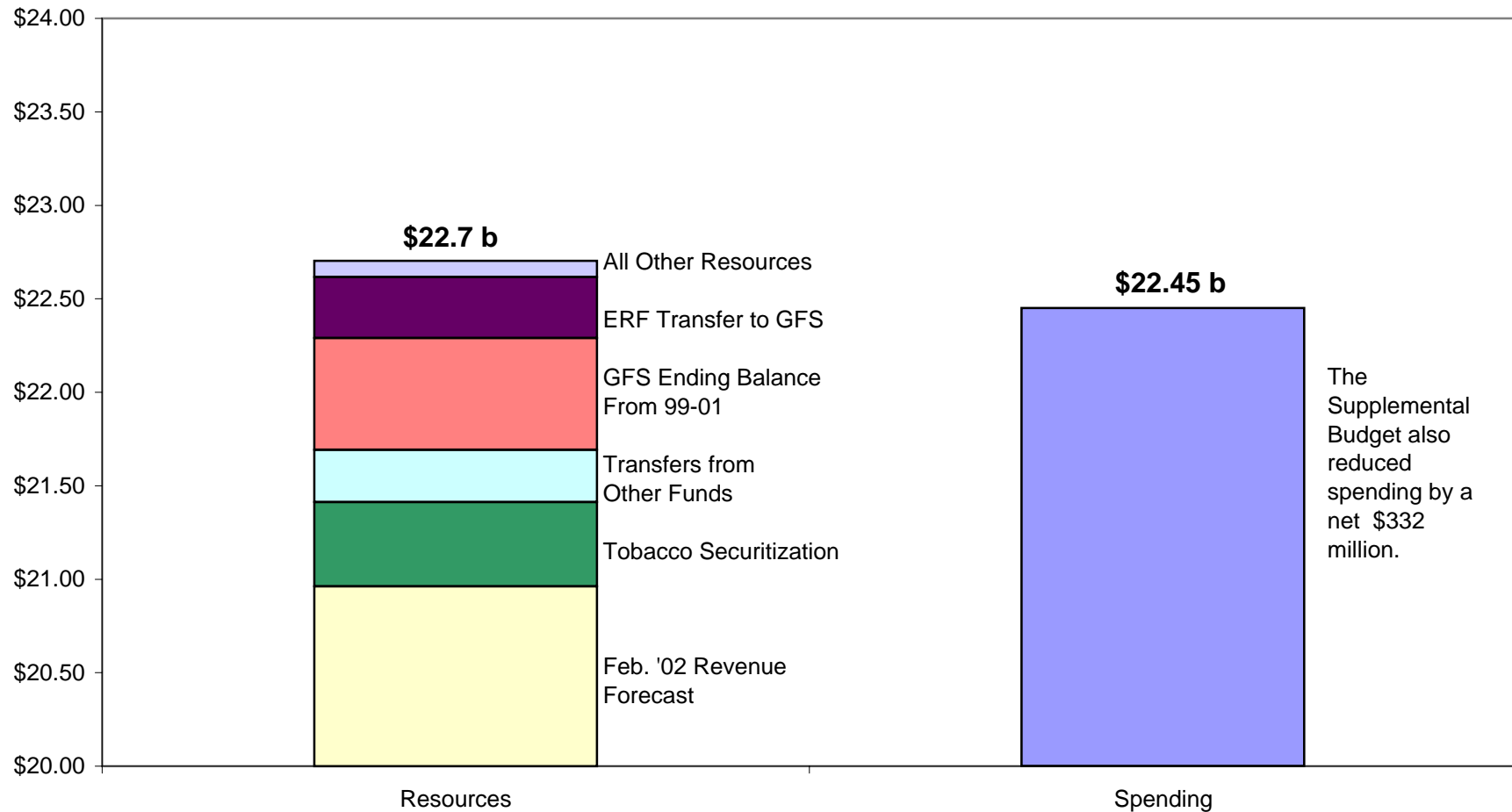
(\$\$ in millions)

Reductions

DSHS	\$ 170
K-12 Education and OSPI	92
I-695 Backfill for Cities & Counties	72
Pension Rate Savings	63
Higher Education Reductions	57
COLA for State & Higher Education Employees	50
Natural Resource Agencies	42
Health Benefit Funding Rates	39
Department of Health	20
Across The Board Reductions	10
Department of Community, Trade and Economic Development	10
Vendor Rate Increases	9
All Other Programs and Agencies	<u>51</u>

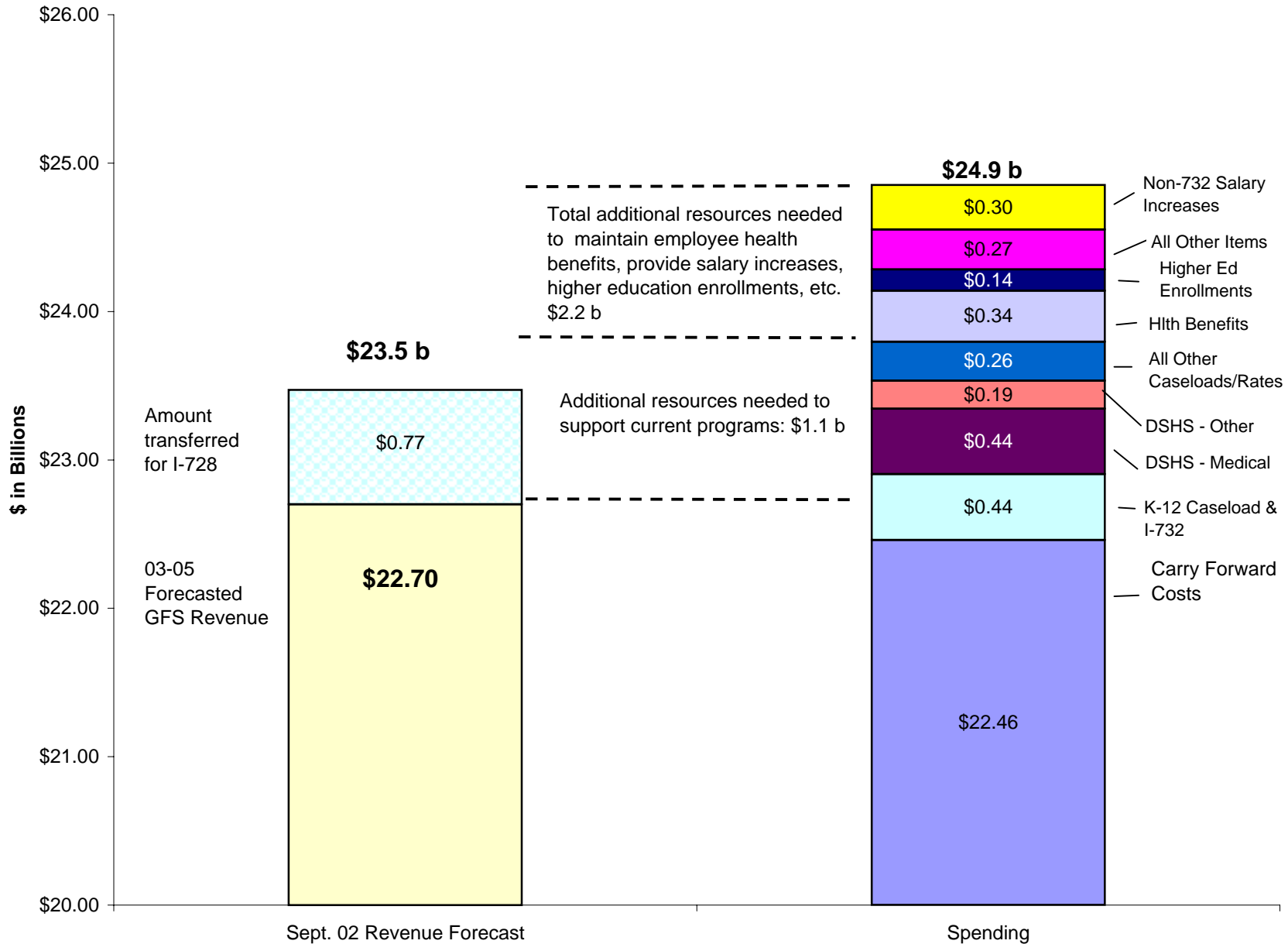
Grand Total of Reductions	\$ 685
----------------------------------	---------------

The 2002 Supplemental Budget Was Balanced By Decreased Spending and Increased General Fund Resources



Notes: For display purposes, the scale shown starts at \$20 billion.

Next Biennium (2003-2005), The General Fund Shortfall is Estimated at \$1.1 To \$2.2 Billion (Not Including The Health Services Shortfall)



Note: Not shown is any projected shortfall in the Health Services Account. Spending estimates are based on very preliminary rate and caseload information. Policy level items such as potential salary increases are displayed for illustrative purposes only. Also for display purposes, the scale shown starts at \$20 billion.

Budget Gap

\$\$ in thousands

Current Revenues **\$ 22,700,100.0**

Current Maintenance Level **\$ 23,795,438.0**

Maintenance Level Shortfall **\$ (1,095,338.0)**

Potential Policy Items:

Vendor Rate Increases and State Employee/Higher Ed COLA's \$ 297,491.7

Health Benefits \$ 343,259.0

Risk Management/Torts \$ 42,000.0

New Capital Projects Debt Service (maximum) \$ 45,503.4

Higher Education Enrollments \$ 144,170.0

Other \$ 183,561.0

TOTAL Potential Policy Items **\$ 1,055,985.1**

Potential General Fund Shortfall **\$ (2,151,323.1)**

Health Services Account Shortfall **\$ (538,600.0)**

\$ (2,689,923.1)